

## MEMORANDUM

## Staff Summary No. 3

**Date:** March 4, 2022

**To:** Members of the California School Finance Authority

**From:** Katrina M. Johantgen, Executive Director

**Subject:** Resolution 22-11, Approving the Credit Enhancement (CDFA #84.354A) Award in an Amount Not to Exceed \$2,000,000 to John Adams Academies

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**Background:** The California School Finance Authority (Authority) received a grant award in 2017 under the U.S. Department of Education's Expanding Quality Charter Schools Program – Credit Enhancement (CE) for Charter Schools Facilities (CFDA # 84.354A), which, for purposes of the Authority's implementation, has been entitled the Project Acceleration Notes And Credit Enhancement Alternatives (PANACEA) Program. This federal grant, authorized under Title V, Part B, Subpart 2 of the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001, provides \$8,000,000 to support financing to charter schools that have received a reservation of funds through the Charter School Facilities Program or for long-term debt through the Authority's Conduit Bond and Note Financing Program.

**Application:** At the March 4, 2022, Authority meeting, the CSFA Board was presented with and approved a bond financing for John Adams Academies (JAA) in a not-to-exceed amount of \$70,000,000. The proceeds of the bonds will be used to: (i) (a) finance and/or refinance the costs of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of educational facilities, located at 1102 Investment Boulevard, El Dorado Hills, California which includes updates to bathrooms, creating reading rooms, and construction of a lecture hall and acquire two approximately 3 acre parcels identified as APN 117-710-007 and -009, El Dorado Hills, California, including property that the school is current leasing, for use as for athletic fields and playground area; (b) finance and/or refinance the costs of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of educational facilities comprising approximately 112,630 square feet on an approximately 9.96 acre site located at 1 Sierra Gate Plaza, Roseville, California 95678 comprising JAA's Roseville Campus (collectively, the "Project"); (ii) pay certain expenses incurred in connection with the issuance of the bonds; (iii) pay capitalized interest on the bonds; and (iv) fund a debt service reserve fund and/or related working capital with respect to the bonds.

Owed to the size of the projected debt service reserve fund JAA is applying for an enhancement award in the amount not-to-exceed \$2,000,000. If program funding is exhausted in the PANACEA program but available in another of the Authority's credit enhancement programs, funds may be awarded from another credit enhancement program's available funds providing the awardee is eligible.

According to information provided by JAA, by helping to finance a debt service reserve fund that would otherwise be financed with bond proceeds, the CE Grant allows JAA to return that money, approximately \$2,000,000, directly to the classroom and reduce the overall borrowing cost for JAA.

**Eligibility Requirements:** The applicant meets all eligibility requirements of the Program, specifically:

1. Good Standing – John Adams Academy Roseville and John Adams Academy El Dorado Hills are in good standing with the Roseville Joint Union High School District and the El Dorado County Board of Education and confirmation of good standing is on file with the Authority.
2. Ability to secure private placement of its debt with an investor(s), secure an investment grade credit rating from a national credit rating agency in conjunction with a public sale, or other evidence, satisfactory to the authority that the transaction will be completed – while this is a lower-than-investment-grade credit JAA has a responsible plan of finance, and a competent financing team, as such the Authority expects this transaction will be completed successfully.

**PANACEA Eligibility:** JAA met the following criteria to be eligible for funding:

- Placer County – Roseville: Applicant is located in a school district and/or county in which 50% or more of the students do not meet the state standard for proficiency in either math or English language.
- El Dorado County – Applicant is located in a county in which 50% or more of the students do not meet the state standard for proficiency in either math or English language.

**Recommendation:** Staff recommends the Board adopt Resolution No. 22-11, awarding John Adams Academy a PANACEA program award in a not-to-exceed amount of \$2,000,000.